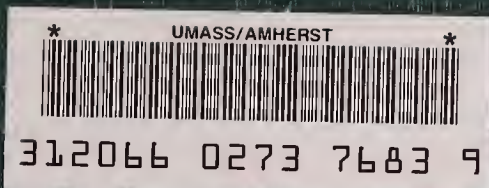


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MASSACHUSETTS CONVENTION CENTER AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED

JUNE 30, 1998

AND INDEPENDENT AUDITOR'S REPORT AND
INDEPENDENT AUDITOR'S REPORTS ON
INTERNAL CONTROLS AND COMPLIANCE
FOR THE YEARS ENDED JUNE 30, 1998

GOVERNMENT DOCUMENTS
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UNIVERSITY OF MASSACHUSETTS
DEVELOPMENT



**DIPESA &
COMPANY
CPAS**



MASSACHUSETTS CONVENTION CENTER AUTHORITY

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 1998

AND INDEPENDENT AUDITOR'S REPORT AND
INDEPENDENT AUDITOR'S REPORTS ON
INTERNAL CONTROLS AND COMPLIANCE
FOR THE YEARS ENDED JUNE 30, 1998

MASSACHUSETTS CONVENTION CENTER AUTHORITY

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YEARS ENDED JUNE 30, 1998

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INDEPENDENT AUDITOR'S REPORT

To the Members
of Massachusetts Convention
Center Authority

Ladies and Gentlemen:

We have audited the accompanying general purpose financial statements of the Massachusetts Convention Center Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, as of June 30, 1998, and for the year then ended, listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

On November 17, 1997, the State Legislature transferred ownership and control of the Springfield Civic Center to the Massachusetts Convention Center Authority. As a result, the financial statements of the Massachusetts Convention Center Authority presented here includes the activity of the Springfield Civic Center from November 17, 1997 through June 30, 1998.




In accordance with ***Government Auditing Standards***, we have also issued a report dated September 30, 1998 on our consideration of the Authority's internal control structure and a report dated September 30, 1998 on its compliance with laws and regulations.

Respectfully submitted,

DI PESA & COMPANY

DI Pesa & Company
Certified Public Accountants

September 30, 1998



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**DIPESA & COMPANY INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED
ON THE AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
CPAS**

To the Members
of Massachusetts Convention
Center Authority

Ladies and Gentlemen:

We have audited the accompanying general purpose financial statements of the Massachusetts Convention Center Authority (the "Authority"), as of and for the year then ended June 30, 1998, and have issued our report thereon, dated September 30, 1998.

We conducted our audit in accordance with generally accepted accounting standards and ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under ***Government Auditing Standards***.

This report is intended for the information of management and Members of the Authority. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

DI PESA & COMPANY

Certified Public Accountants

September 30, 1998

38 Chauncy Street
Suite 401
Boston, Massachusetts 02111

E-mail DIPESACOPAS@compuserve.com

Telephone 617-423-3555
Fax 617-423-3556



DIPESA &
COMPANY
CPAS

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON THE AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS**

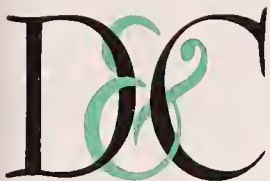
To the Members
of Massachusetts Convention
Center Authority

Ladies and Gentlemen:

We have audited the accompanying general purpose financial statements of the Massachusetts Convention Center Authority ("the Authority") as of and for the year then ended June 30, 1998 and have issued our report thereon, dated September 30, 1998.

We conducted our audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



In planning and performing the audits of the general purpose financial statements of the Authority for the year ended June 30, 1998 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Members of the Authority. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

DI PESA & COMPANY

A handwritten signature in black ink, appearing to read 'Di Pesa & Company', written in a cursive style.

Certified Public Accountants

September 30, 1998

MASSACHUSETTS CONVENTION CENTER AUTHORITY
COMBINED BALANCE SHEETS
JUNE 30, 1998

ASSETS

	<u>SCC</u>	<u>MCCA</u>	<u>COMBINED</u>	<u>1997</u> <u>Memo Only</u>
<u>CURRENT ASSETS</u>				
Cash and Short-Term				
Investments (Notes 2 and 8)	\$779,265	\$ 9,369,024	\$ 10,148,289	\$ 6,973,693
Grants Receivable from the				
Commonwealth - Debt Service (Notes 2 and 4)	-	1,299,748	1,299,748	1,677,248
Convention Receivables (Net)	118,548	977,058	1,095,606	767,952
Prepaid Assets	492	187,825	188,317	156,144
Other Current Assets	-	60,314	60,314	269,278
<u>TOTAL CURRENT ASSETS</u>	<u>898,305</u>	<u>11,893,969</u>	<u>12,792,274</u>	<u>9,844,315</u>
<u>FUNDS HELD BY BOND TRUSTEE</u>				
(Cash, Cash Equivalents and				
U.S. Government Securities) (Notes 4, 6 and 8)				
Garage Construction Account	-	5,208,482	5,208,482	4,963,418
Garage Renewal and Replacement Fund	-	635,487	635,487	601,069
Hynes Construction Account	-	31,315	31,315	18,332
Hynes Renewal and Replacement Account	-	9,021,788	9,021,788	8,585,533
<u>TOTAL FUNDS HELD BY BOND TRUSTEE</u>	<u>-</u>	<u>14,897,072</u>	<u>14,897,072</u>	<u>14,168,352</u>
<u>GRANTS RECEIVABLE FROM THE</u>				
<u>COMMONWEALTH - DEBT SERVICE</u> (Notes 2 and 4)	<u>-</u>	<u>23,712,377</u>	<u>23,712,377</u>	<u>19,265,352</u>
<u>OTHER INVESTMENTS</u> (Notes 2 and 8)	<u>-</u>	<u>1,743,593</u>	<u>1,743,593</u>	<u>1,051,099</u>
<u>INVESTMENT IN FACILITIES</u> (Notes 1, 2, 3 and 5)				
Land	-	52,029,496	52,029,496	52,029,496
Convention Center and Improvements	-	178,644,444	178,644,444	178,263,762
Parking Garage and Improvements	-	33,322,058	33,322,058	32,943,567
Equipment and Fixtures	17,499	14,256,367	14,273,866	13,912,967
	17,499	278,252,365	278,269,864	277,149,792
Less - Accumulated Depreciation	-	78,833,774	78,833,774	71,543,699
<u>NET INVESTMENT IN FACILITIES</u>	<u>17,499</u>	<u>199,418,591</u>	<u>199,436,090</u>	<u>205,606,093</u>
<u>DEFERRED BOND COSTS</u> (Notes 2, 4 and 5)	<u>-</u>	<u>1,226,316</u>	<u>1,226,316</u>	<u>1,375,589</u>
<u>TOTAL ASSETS</u>	<u>\$915,804</u>	<u>\$252,891,918</u>	<u>\$253,807,722</u>	<u>\$251,310,800</u>

See Notes to General Purpose Financial Statements.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
COMBINED BALANCE SHEETS
JUNE 30, 1998

LIABILITIES AND GRANTS AND FUND BALANCES

	<u>SCC</u>	<u>MCCA</u>	<u>COMBINED</u>	<u>1997</u> <u>Memo Only</u>
<u>CURRENT LIABILITIES</u>				
Current Portion of				
Bonds Payable (Note 4)	\$ -	\$ 21,375,000	\$ 21,375,000	\$ 20,195,000
Hynes Construction Payables and				
Retainage (Note 9)	-	-	-	8,776
Garage Constructions Payables				
and Retainage	-	681,957	681,957	1,122,442
Garage Payable to the Commonwealth (Note 2)	-	4,191,655	4,191,655	2,975,983
Accounts Payable and				
Accrued Expenses (Note 7)	1,365,498	2,057,262	3,422,760	3,226,276
Accrued Interest Expense (Note 4)	-	1,299,748	1,299,748	1,677,248
Deposits and Deferred Revenue (Note 2)	<u>131,658</u>	<u>747,563</u>	<u>879,221</u>	<u>506,673</u>
 <u>TOTAL CURRENT LIABILITIES</u>	 <u>1,497,156</u>	 <u>30,353,185</u>	 <u>31,850,341</u>	 <u>29,712,398</u>
 <u>BONDS PAYABLE, LONG-TERM PORTION</u> (Note 4)	 <u>-</u>	 <u>94,379,030</u>	 <u>94,379,030</u>	 <u>115,715,073</u>
 <u>ACCRUED INTEREST EXPENSE</u> (Note 4)	 <u>-</u>	 <u>23,712,377</u>	 <u>23,712,377</u>	 <u>19,265,352</u>
 <u>ACCRUED PENSION EXPENSE</u> (Note 7)	 <u>-</u>	 <u>3,000,000</u>	 <u>3,000,000</u>	 <u>2,800,608</u>
 <u>COMMITMENTS AND CONTINGENCIES</u> (Note 9)				
 <u>GRANTS AND FUND BALANCES</u> (Notes 2, 4 and 5)				
Contributed Capital and grants-in-aid				
of Facilities Acquisition	-	182,718,972	182,718,972	161,991,298
Less - Accumulated Amortization of				
Contributed Capital	<u>-</u>	<u>88,088,046</u>	<u>88,088,046</u>	<u>81,051,038</u>
	-	94,630,926	94,630,926	80,940,260
 Retained Earnings (Deficit)	(<u>581,352</u>)	<u>6,816,400</u>	<u>6,235,048</u>	<u>2,877,109</u>
 <u>TOTAL GRANTS AND FUND BALANCES</u>	 (<u>581,352</u>)	 <u>101,447,326</u>	 <u>100,865,974</u>	 <u>83,817,369</u>
 <u>TOTAL LIABILITIES AND GRANTS</u> <u>AND FUND BALANCES</u>	 \$ <u>915,804</u>	 \$ <u>252,891,918</u>	 \$ <u>253,807,722</u>	 \$ <u>251,310,800</u>

See Notes to General Purpose Financial Statements.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
COMBINED STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCE/RETAINED EARNINGS (DEFICIT)
YEARS ENDED JUNE 30, 1998

	<u>SCC</u> November 17, 1997 to June 30, 1998 Only	<u>MCCA</u>	<u>COMBINED</u>	<u>1997</u> <u>Memo Only</u>
<u>REVENUES (Note 2)</u>				
Convention Services Income	\$ 1,825,717	\$ 5,104,665	\$ 6,930,382	\$ 5,074,645
Convention Rental Income	551,962	2,988,248	3,540,210	2,835,652
Parking Fees	-	5,477,534	5,477,534	4,104,793
Interest Income	30,783	441,471	472,254	296,688
Other	<u>9,809</u>	<u>162,417</u>	<u>172,226</u>	<u>115,273</u>
	<u>2,418,271</u>	<u>14,174,335</u>	<u>16,592,606</u>	<u>12,427,051</u>
<u>EXPENSES</u>				
Salaries and Benefits - Operating (Note 7)	763,965	4,098,575	4,862,540	4,059,260
Salaries and Benefits - Administrative (Note 7)	-	970,558	970,558	885,004
Other Operating Expenses	1,474,900	3,676,138	5,151,038	3,946,836
Other Administrative Expenses	-	420,631	420,631	265,521
Contracted Services	541,461	5,134,202	5,675,663	4,904,439
Utilities	219,297	2,415,308	2,634,605	2,532,013
Depreciation (Note 2)	<u>-</u>	<u>7,574,985</u>	<u>7,574,985</u>	<u>7,562,137</u>
	<u>2,999,623</u>	<u>24,290,397</u>	<u>27,290,020</u>	<u>24,155,210</u>
Loss From Operations Before Operating Transfers	(581,352)	(10,116,062)	(10,697,414)	(11,728,159)
<u>OPERATING TRANSFERS TO/FROM THE COMMONWEALTH OF MASSACHUSETTS</u>				
State Grants - Massachusetts Tourism Fund (Note 1)	-	11,210,000	11,210,000	10,754,000
Contractual Payment to the Commonwealth for Parking Garage (Note 2)	<u>-</u>	<u>(4,191,655)</u>	<u>(4,191,655)</u>	<u>(2,975,983)</u>
Loss From Operations	(581,352)	(3,097,717)	(3,679,069)	(3,950,142)
<u>PROJECT-RELATED REVENUES AND EXPENSES</u>				
Commonwealth Grants - Contractual Assistance Earned (Note 2)	-	8,692,213	8,692,213	9,614,917
Interest Expense (Note 4)	-	(8,535,019)	(8,535,019)	(9,370,205)
Other Expenses (Note 2)	<u>-</u>	<u>(157,194)</u>	<u>(157,194)</u>	<u>(244,712)</u>
Total Project-Related Revenues and Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	(581,352)	(3,097,717)	(3,679,069)	(3,950,142)
<u>ADD BACK - Depreciation on Fixed Assets Acquired with Contributed Capital and grants-in-aid of Facilities Acquisition (Note 2)</u>	-	7,037,008	7,037,008	7,077,008
<u>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</u>	<u>-</u>	<u>2,877,109</u>	<u>2,877,109</u>	<u>(249,757)</u>
<u>RETAINED EARNINGS (DEFICIT), END OF YEAR</u>	\$(581,352) =====	\$ 6,816,400 =====	\$ 6,235,048 =====	\$ 2,877,109 =====

See Notes to General Purpose Financial Statements.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998

	<u>1998</u>	<u>1997</u> <u>Memo Only</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net Loss	\$(3,679,069)	\$(3,950,142)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	7,574,985	7,562,137
Amortization of Bond Discount	38,957	38,957
Interest Income	(472,254)	(296,688)
(Increase) Decrease in Assets:		
Convention Receivables, Net	(327,654)	(38,919)
Prepaid Assets	(32,173)	33,441
Other Current Assets	208,964	(161,278)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	196,484	286,131
Deposits and Deferred Revenue	372,548	(30,806)
Accrued Pension Expense	199,393	218,950
Garage Payable to the Commonwealth	<u>1,215,672</u>	<u>1,289,473</u>
<u>Total Adjustments</u>	<u>8,974,922</u>	<u>8,901,398</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>5,295,853</u>	<u>4,951,256</u>
<u>CASH FLOWS USED BY NONCAPITAL FINANCING ACTIVITIES</u>		
Expenditure of Net Investment Income Earned on Funds Held by Bond Trustee for Project Related Costs	(46,878)	(134,394)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Interest Paid on Bonds	(8,535,019)	(9,370,205)
Interest Expense Reimbursed by the Commonwealth	8,535,019	9,370,205
Principal Paid on Bond Maturities	(20,195,000)	(19,105,000)
Reimbursement from the Commonwealth for Payment of Bond Principal	20,195,000	19,105,000
Additions to Investment in Facilities	(1,404,982)	(2,236,909)
Increase (Decrease) in Construction Payables and Retainages	(440,485)	(1,291,392)
Contractual Payment to the Commonwealth Related to Boston Common Parking Garage	(4,191,655)	(2,975,983)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCIAL ACTIVITIES</u>	(6,037,122)	(6,504,284)

See Notes to General Purpose Financial Statements.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998

	<u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of U.S. Government and Agency Obligations	(34,504,000)	(52,854,072)
Proceeds (Purchases) of U.S. Government and Agency Obligations	38,873,044	53,644,476
Proceeds from Maturities of Other Investments	(692,494)	1,672,628
Investment Income Earned on Funds Held by Bond Trustee	243,196	411,190
Interest Income	<u>472,254</u>	<u>262,358</u>
 <u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	 <u>4,392,000</u>	 <u>3,136,580</u>
 <u>NET INCREASE IN CASH AND AND CASH EQUIVALENTS</u>	 3,603,853	 1,449,158
 <u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	 <u>12,539,636</u>	 <u>11,090,478</u>
 <u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	 <u>\$ 16,143,489</u>	 <u>\$ 12,539,636</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash Paid During the Year for:		
Interest	<u>\$ 4,465,494</u>	<u>\$ 5,542,861</u>

See Notes to General Purpose Financial Statements.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

1. BACKGROUND

The Massachusetts Convention Center Authority (the "Authority"), a component unit of the Commonwealth of Massachusetts, is a public instrumentality created by an act of the Legislature of the Commonwealth of Massachusetts (the "Commonwealth") to acquire and operate the facilities known as the John B. Hynes Veterans Memorial Convention Center (the "Hynes Convention Center") and the Boston Common Parking Garage (the "Garage"). Its purpose is to promote the economic development of the Commonwealth by developing and operating a convention center suitable for accommodating major national and international conventions.

On July 1, 1991, the Legislature established, pursuant to Massachusetts General Laws Chapter 10, Section 35J, the Massachusetts Tourism Fund (the "Fund") into which 35% of the state hotel/motel tax is deposited. Thirty-eight percent of the Fund is dedicated to the Authority, subject to appropriation by the Legislature, to fund the annual operating deficit of the Authority.

During Fiscal 1998, the Authority received \$ 11,210,000 from the Fund. These appropriations are reflected as an operating transfer from the Commonwealth in the accompanying combined statements of revenues, expenses and changes in fund balance/retained earnings (deficit).

Chapter 152 of the Acts of 1997 as amended, "An Act Relative to the Construction and Financing of Convention and Exhibition Centers in the Commonwealth," became effective November 17, 1997. This Act has several provisions relevant to the Massachusetts Convention Center Authority.

- The Act appropriated \$609.4 million for the construction of a Convention Center in South Boston, to be operated by the Authority.
- The Act transferred the Springfield Civic Center to the ownership and control of the Authority, as well as providing an appropriation of \$48.5 million for improvements to the facility.
- The Act created a new Board for the Authority consisting of thirteen members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Authority are as follows:

a. Basis of Presentation

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units, and the financial statements conform to the reporting presentation set forth in "Governmental Accounting and Financial Reporting Standards" issued by the Government Accounting Standards Board applicable to Public Benefit Corporations and Authorities.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Revenue Recognition

Revenues are recognized on the accrual basis for the Hynes Convention Center, Springfield Civic Center and the Boston Common Parking Garage. Hynes Convention Center and Springfield Civic Center revenues consist of rental income and income for services such as electricity, air, water, telephone, cleaning, security, equipment and food. Boston Common Parking Garage revenue consists of parking fees.

c. Accounting for Investment in Facilities

Facilities are stated at cost and have been funded primarily through expenditures of Commonwealth grants-in-aid of facilities acquisition.

Depreciation is provided on the straight-line method based on the estimated economic useful lives of the related assets as follows:

Hynes Convention Center and Improvements	5 - 30 Years
Boston Common Parking Garage Facility	30 Years
Equipment and Fixtures	3 - 5 Years

Expenditures for repairs and maintenance are charged to operations as incurred.

d. Amortization of Contributed Capital, grants-in-aid of Facilities Acquisition

Contributed capital, grants-in-aid of facilities acquisition (see Note 5) is amortized to the extent of depreciation expense on the related acquired facilities.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Accounting for Investment Income Related to Bonds Held by Trustee

Interest income earned on unexpended bond proceeds has been credited to contributed capital, grants-in-aid of facilities acquisition (see Note 5).

f. Accounting for State Grants - Contractual Assistance Earned

Interest expense is reimbursed by the Commonwealth under a contractual assistance agreement to fund debt service on Hynes Convention Center and Boston Common Parking Garage Bonds. The Authority accrues state grant revenue to the extent such costs have been expensed. Noncapitalized project costs, as defined in the respective Trust Indentures (the "Indentures"), have been funded by interest earned on unexpended bond proceeds. A portion of state grant revenue has been classified as an operating transfer in the accompanying combined statements of revenues, expenses and changes in fund balance/retained earnings (deficit) to the extent that interest income earned on unexpended bond proceeds has been used to fund operating expenses.

The Authority records state grant revenue related to the Massachusetts Tourism Fund on a cash basis because receipt of such revenue is subject to appropriation by the Commonwealth.

g. Deferred Bond Costs

Deferred amounts represent costs incurred in connection with the issuance of bonds (see Note 4). Amortization is provided on the straight-line method over the life of the debt and amounted to \$149,273 in 1998. Amortization is classified as project related - other expenses in the accompanying combined statements of revenues, expenses and changes in fund balance/retained earnings (deficit) and is accounted for similar to noncapitalized project costs.

h. Investments

Investments are carried at amortized cost, which approximates market value (see Note 8).

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Cash and Cash Equivalents

The amounts classified as cash and cash equivalents consist of cash on hand, cash in banks and money market investments with an original maturity of three months or less.

j. Receivables

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 1998 and 1997, the allowance for doubtful accounts amounted to \$54,894.

k. Contractual Payment to Commonwealth for Parking Garage

Under the contractual assistance agreement (see Note 2.f.) by which the Commonwealth funds debt service for the Boston Common Parking Garage Bonds, the Massachusetts Convention Center Authority is required to repay to the Commonwealth an amount equal to the excess of parking garage revenues over direct garage expenses as defined in the contractual assistance agreement. For the year ended June 30, 1998 this amount was calculated to be \$4,191,655.

3. GARAGE STRUCTURAL REHABILITATION

The Boston Common Parking Garage was closed by the Authority on October 31, 1992 due to the need for renovation and rehabilitation of the facility. In 1993, the Authority entered into a general construction contract for such renovation and rehabilitation pursuant to bids it obtained for such contract. The total cost of such renovation and rehabilitation, including architectural, engineering and other so-called "soft" costs, is expected to be approximately \$33,600,000. Costs of such renovation and rehabilitation not funded by the proceeds of the 1993 Series A Bonds will be paid with funds of the Authority from the Civic and Convention Center Fund and the Capital Reserve for the Garage. No additional bonds are expected to be issued to fund the cost of the renovation and rehabilitation of the Garage.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

3. GARAGE STRUCTURAL REHABILITATION (Continued)

In the year ended June 30, 1998, consulting, contracting, and architectural costs associated with garage construction and improvements were \$378,491. These costs total \$33,322,058 to date and \$1,097,364 in depreciation has been taken relating to this account.

The entire amount related to the cost of the Garage, prior to rehabilitation, together with associated depreciation was removed from the accounts for the year ended June 30, 1996. The total value of the former asset and associated depreciation both totaled \$10,808,854.

4. BONDS PAYABLE

During 1984 and 1985, the Authority raised \$200,000,000 through the issuance of tax-exempt Hynes Convention Center Bonds (the "1984 Series A" and "1985 Series A Bonds") to partially finance the expansion and renovation of the Hynes Convention Center.

On March 19, 1992, the Authority raised \$163,525,164, net of an original issue discount of \$144,110, through the issuance of tax-exempt Hynes Convention Center Refunding Bonds (the "Series 1992 Bonds") with an average interest rate of 6.14% to advance refund \$135,435,000 of outstanding 1984 and 1985 Series A Hynes Convention Center Bonds with an average interest rate of 9.3%. The net proceeds of \$161,779,277 (after payment of \$1,745,887 in underwriter's discount and costs of issuance) plus an additional \$12,343,500 (\$10,636,500 from the Debt Service Reserve Fund and \$1,707,000 from the Renewal and Replacement Fund) of bond funds related to the 1984 and 1985 Series A Bonds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1984 and 1985 Series A Bonds. As a result, the 1984 and 1985 Series A Bonds are considered to be defeased, and the liability for those bonds has been removed from the accompanying combined balance sheets of the Authority.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

4. BONDS PAYABLE (Continued)

The advance refunding resulted in the recognition of a loss on defeasance of \$41,304,935 for the year ended June 30, 1992. This loss includes the reversal of the grant receivable from the Commonwealth which had been recognized as an offset to accrued interest on the compound interest serial bonds (the 1984 and 1985 Series A Bonds). As a result of the advance refunding, the Authority reduced its aggregate debt service payments by approximately \$14,200,000 over the period from March 19, 1992 to September 1, 2005 and achieved an economic gain (the difference between present value of the new debt service requirements, discounted at the effective interest rate of 6.14%, adjusted for additional cash paid) of approximately 11,700,000. In addition, the Authority wrote off, as part of the loss on defeasance, the remaining unamortized deferred charges (\$2,617,158 related to the 1984 and 1985 Series A Bonds). The \$1,745,887 of underwriter's discount and costs of issuance related to the Series 1992 Bonds have been capitalized as deferred charges in the accompanying combined balance sheets (see Note 2(g)).

The Authority and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance to the Authority in an amount equal to the scheduled principal of and interest on the bonds.

At June 30, 1998, the Series 1992 Bonds consist of the following:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Amount</u>
Current Interest			
Serial Bonds	5.70%-6.00%	1998-1999	\$41,710,000
Compound Interest			
Serial Bonds	6.40%-6.80%	2000-2005	47,229,273

On July 1, 1993, the Authority raised \$30,909,064, net of an original issued discount of \$570,936, through the issuance of tax-exempt Boston Common Parking Garage Bonds, Series 1992 A Bonds ("Series 1993 Bonds") with an average rate of 5.23%. The bond proceeds funded the renovation and rehabilitation of the Garage and the acquisition, construction, renovation and expansion of related or accessory facilities. The Authority and the Commonwealth entered into a contract providing that the Commonwealth shall pay contract assistance to the Authority in an amount equal to the scheduled principal of and interest on the bonds.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

4. BONDS PAYABLE (Continued)

At June 30, 1998, the Series 1993 bonds consist of the following:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Original Amount</u>
Serial Bonds	4.00%-5.45%	1998-2008	\$16,205,000
Term Bonds	5.375%	09/01/2013	11,115,000

Scheduled total future debt service payments for the Series 1993 and 1992 Bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Total</u> <u>Debt Service</u>	<u>Principal</u>	<u>Interest</u>
1999	\$ 24,653,086	\$ 21,375,000	\$ 3,278,086
2000	24,655,791	22,670,000	1,985,791
2001	24,645,279	14,233,655	10,411,624
2002	20,369,136	11,054,152	9,314,984
2003	16,378,338	8,399,122	7,979,215
Thereafter	<u>67,646,001</u>	<u>38,527,345</u>	<u>29,118,657</u>
<u>Total</u>	<u>\$178,347,631</u>	<u>\$116,259,274</u>	<u>\$62,088,357</u>

Interest payments relative to the Series 1992 compound interest serial bonds commence in fiscal 2000, and accordingly, the related accrued interest expense and grants receivable from the Commonwealth have been classified as long term in the accompanying combined balance sheets.

The Series 1992 current interest serial bonds, maturing on September 1, 1999, in the amount of \$9,000,000, are subject to redemption prior to maturity, in whole or in part, on any interest payment date at a redemption price equal to 100% of the principal amount of such bonds or portion thereof to be redeemed, plus accrued interest to the redemption date, for monies on deposit in the Special Redemption Account (see Note 6(f)). None of the other outstanding 1992 bonds can be redeemed prior to maturity, in whole or in part.

The series 1993 serial bonds maturing September 1, 1997, and 1998 shall be subject to redemption prior to maturity in whole or in part on the earliest interest payment date for which notice or redemption can be given following completion of the renovation and rehabilitation of the Garage. The redemption price shall be equal to 100% of the principal amount of each Series 1993 Bonds or portion thereof to be redeemed, plus accrued interest to the redemption date, from monies, if any remaining in the Construction Account after completion of the project.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

4. BONDS PAYABLE (Continued)

The Series 1993 serial bonds maturing on and after September 1, 2004 shall be subject to redemption prior to maturity on and after September 1, 2003 in whole at any time or in part on any interest payment date from monies deposited in the Redemption Fund at redemption prices as defined in the bond document.

The Series 1993 term bonds maturing on September 1, 2013 shall be subject to mandatory redemption prior to maturity in part on September 1, (2009 through 2012) and principal amounts through application of sinking fund installments at a redemption price equal to 100% of the principal amount or portion thereof to be redeemed, plus accrued interest to the redemption date.

5. CONTRIBUTED CAPITAL, GRANTS-IN-AID OF FACILITIES ACQUISITION

An analysis of contributed capital, grants-in-aid of facilities acquisition for the years ended June 30, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</u>
Balance, Beginning of Year	\$ 161,991,298	\$ 142,496,417
Net Investment Income Earned on Funds Held by Bond Trustee	728,825	673,548
Reimbursement from the Commonwealth for Payment of Bond Principal	20,195,000	19,105,000
Expenditure of Net Investment Income Earned on Funds held by Bond Trustee for Noncapitalized Project Costs	(46,878)	(134,394)
Amortization of Deferred Charges	(149,273)	(149,273)
Balance, End of Year	\$ 182,718,972	\$ 161,991,298
	<u>=====</u>	<u>=====</u>

6. FUNDS HELD BY BOND TRUSTEE

Under the Series 1993 Bonds Indenture for Garage Construction, the Authority must maintain certain investment funds with the Bond Trustee (State Street Bank and Trust Company). These funds are as follows:

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

6. FUNDS HELD BY THE BOND TRUSTEES (Continued)

a. Construction Account

The Construction Account represents monies to be applied solely to the payment of project costs upon receipt of appropriate authorizations and certifications, as defined in the Indenture. Interest or other income earned on these funds is retained in the Construction Account. Any balance in the Construction Account not needed to pay project costs will be transferred to the Special Redemption Account and applied to the redemption of Series 1993 Bonds in accordance with the provisions of the Indenture. Management of the Authority does not anticipate that there will be any unused Construction Account funds to be transferred to the Special Redemption Account.

b. Debt Service Account

The Trustee disburses from the Debt Service Account, on or before each interest payment date (March 1 or September 1), an amount sufficient to pay the principal installments of and interest on the outstanding bonds. The Authority deposits contractual assistance payments from the Commonwealth in this account to meet the bond obligations. Any amount received from the Commonwealth and not needed for such payments shall be repaid to the Commonwealth as soon as practicable following the interest payment date. All interest or other income earned on these funds is transferred to the Construction Account and to the Renewal and Replacement Account thereafter.

c. Renewal and Replacement Account

The Renewal and Replacement Account represents funds to be applied solely to renewal, replacement, rehabilitation and repair costs associated with the Garage. Income earned on these funds is retained in the Renewal and Replacement Account. If the Authority determines that (i) the amount on deposit in the Renewal and Replacement Account exceeds the amount reasonably expected to be necessary for renewal, replacement, rehabilitation and repair costs associated with the Garage, or (ii) that the amount on deposit in the Construction Account is insufficient to pay project costs in order to complete the project, the Authority may direct the Trustee to transfer amounts in the Renewal and Replacement Account to the Construction Account for application to project costs.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

6. FUNDS HELD BY BOND TRUSTEES (Continued)

Under the Series 1992 Bonds Indenture for the Hynes, the Authority must maintain certain investment funds with the Bond Trustee (State Street Bank and Trust Company). These funds are as follows:

a. Construction Account

The Construction Account represents the remaining balance of the bond funds. Income earned on these funds is retained in the Construction Account. Funds in the Construction Account are to be applied solely to the payment of project costs for a period of one year after the expansion and renovation of the Hynes Convention Center is certified to be complete by the management of the authority, as defined in the Indenture. Upon achieving completion of the Hynes Convention Center expansion and renovation, any balance in the Construction Account not needed to pay project costs will be transferred to the Renewal and Replacement Fund. Management of the Authority does not anticipate that there will be any unused Construction Account Funds to be transferred to the Renewal and Replacement Account.

b. Debt Service Account

The Trustee disburses from the Debt Service Account, on or before each interest payment date (March 1 or September 1), an amount sufficient to pay the principal installments of and interest on the outstanding bonds. The Authority deposits contractual assistance payments from the Commonwealth in this account to meet the bond obligations. Until completion, as defined in the Indenture, of the Hynes Convention Center expansion and renovation, income earned on these funds is transferred to the Construction Account and to the Renewal and Replacement Account thereafter.

c. Renewal and Replacement Account

The Renewal and Replacement Account represents funds to be applied solely to renewal, replacement, rehabilitation and repair costs associated with the Hynes Convention Center. Income earned on these funds is retained in the Renewal and Replacement Account.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

6. FUNDS HELD BY THE BOND TRUSTEES (Continued)

c. Renewal and Replacement Account (Continued)

If the Authority determines that the amount on deposit in the Renewal and Replacement Fund exceeds the amount reasonably expected to be necessary for renewal, replacement, rehabilitation and repair costs associated with the Hynes Convention Center and for project costs because net recoveries from litigation relating to Phase II expansion and renovation of the Hynes Convention Center, which have been received by the Authority, are reasonably expected to be sufficient for all such costs, such excess amount in the Renewal and Replacement Account shall be transferred to the Special Redemption Account (used to repay bonds to effect a redemption of the current interest serial bonds, maturing on September 1, 1999, prior to maturity (see Note 4) to the extent of \$9,000,000, and any remainder of such excess amount shall be invested strictly in accordance with the Indenture. Management of the Authority does not anticipate that there will be any excess funds in the Renewal and Replacement account to be transferred to the Special Redemption Account.

7. EMPLOYEE BENEFITS

A. Pension Plan

Effective with the establishment of the Authority, all of its employees participate in the Commonwealth of Massachusetts Contributory Retirement System (the "System"). Contributions to provide benefits under the System are made by the Authority under the "pay-as-you-go" method by annually contributing the amount determined by the State Division of Public Employee Retirement Administration Commission ("PERAC"). The contribution is calculated as the amount necessary to provide for the previous year's retirement benefits. The active Authority employees contribute 5%, 7%, 8% or 9% (depending on date of employment) of their regular compensation, as defined. In addition, active employees hired after January 1, 1979, contribute an additional 2% for all pay greater than \$30,000.

Section 38D of the Authority's Enabling Act requires the Authority to reimburse the State Board of Retirement annually for the Authority's proportionate share of any retirement allowance paid by the Board during the preceding year based on the retiree's past service with the Authority. As explained more fully herein, the Authority is required to reimburse the State Board of Retirement for the pension component of the retired employee's retirement allowance.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

7. EMPLOYEE BENEFITS (Continued)

a. Pension Plan (Continued)

Pursuant to the Enabling Act, the Authority assumed responsibility for the pension liability relating to the prior service of Garage employees. This net prior service liability amounted to \$382,054. No prior service liabilities were assumed for employees of the Hynes Convention Center (previously employed by the City of Boston).

The System benefits are uniform from system to system. The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members become vested after 10 years of creditable service. A superannuating retirement allowance may be received upon the completion of 20 years of service or, for an employee hired prior to 1978, attainment of age 55 as an active member. Normal retirement for most employees occurs at age 65.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest generated thereon constitute the annuity. The difference between the total retirement benefit and the annuity is the pension.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERAC and employers. The System does not make separate measurements of assets and the pension benefit obligation for individual employers. The pension benefit obligation at June 30, 1994 for the System as a whole, determined through an actuarial valuation performed as of that date, was \$8.957 billion. The System's net assets available for benefits on that date (valued at market) were \$5.802 billion, leaving an unfunded pension benefit obligation of \$3.155 billion.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

7. EMPLOYEE BENEFITS (Continued)

a. Pension Plan (Continued)

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the general purpose financial statements of the Commonwealth.

The authority has accrued \$3,005,787 at June 30, 1998 for its estimated share of future reimbursements to the System based on the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. Pension expense for 1998 amounted to \$203,250.

The short-term portion of accrued pension is shown as part of "Accounts Payable and Accrued Expenses" amounts to \$5,786 at June 30, 1998.

b. Severance Pay/Sick Leave Benefits

Under the terms of an employment contract assumed from the Massachusetts Parking Authority, a management employee of the Authority is entitled to severance pay. All union employees are contractually entitled to sick leave benefits upon retirement. In addition, the Authority has extended this benefit to all employees. Severance pay and sick leave benefits for employees at June 30, 1998 were estimated to be \$995,217 and is reflected in the accompanying combined balance sheets as accrued expenses.

c. Other Postretirement Employee Benefits

In addition to providing pension benefits to retired employees, the Authority has agreed to provide certain health care benefits to retired employees. These health care benefits are provided through insurance coverage administered by the Commonwealth.

The Authority will assume a portion of the cost of group health insurance, including basic life insurance and catastrophic illness coverage, for retirees (and surviving spouses) receiving a retirement allowance from the Authority. The Authority recognizes the cost of these benefits by expensing the amounts paid to the retired employees, which amount was not significant in 1998 and 1997. At June 30, 1998 seventeen retired employees were eligible to receive these benefits.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

8. CASH AND OTHER INVESTMENTS

Cash consists of deposits primarily with Bank of Boston, State Street Bank and the Massachusetts Depository Trust ("MMDT") (a pooled investment fund managed by the Office of the State Treasurer, consisting primarily of certificates of deposit with major banks, commercial paper and repurchase agreements). These deposits are carried at cost in the accompanying combined balance sheets.

Repurchase agreements owned by the MMDT are conducted only with approved banks and primary securities dealers. In addition, MMDT's custodian takes delivery of the collateral in MMDT's name. Pass-through insurance represents coverage obtained from the specific investments in MMDT's portfolio. To the extent that MMDT's investments are insured by the insurer, the Authority is insured up to its respective percentage of the total MMDT portfolio. Certain deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

Short-term investments consist of U.S. Treasury Notes that mature within a year. Other investments consist of U.S. Treasury Notes and certificates of deposit. The U.S. Treasury Notes (both short and long term) are held in safekeeping in the Authority's name. Certificates of deposit are fully insured by the Depositors Insurance Fund of Massachusetts ("DIFM") and/or by the FDIC.

Obligations and funds held by the Bond Trustee (State Street Bank and Trust Company) consist of U.S. Government and agency obligations and money market accounts (uninsured). Investments are carried at amortized cost and held by the Bond Trustee in the Authority's name.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

8. CASH AND OTHER INVESTMENTS (Continued)

The Authority's cash and short-term investments, funds held by the Bond Trustee and other investments at June 30, 1998 are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance or Market Value</u>
Cash and Short-term Investments		
Insured (FDIC) Deposits	\$ 1,019,918	\$ 1,052,559
Collateralized (MMDT Account) Deposits	<u>8,235,599</u>	<u>8,898,599</u>
<u>Total Cash</u>	9,255,517	9,951,158
U.S. Treasury Notes	<u>892,772</u>	<u>892,772</u>
<u>Total Cash and Short-term Investments</u>	<u>\$10,148,289</u>	<u>\$10,843,930</u>
Funds held by Bond Trustee:		
U.S. Government Agency Obligations	\$ 8,901,873	\$ 8,918,912
Money Market Accounts	<u>5,995,199</u>	<u>5,925,795</u>
<u>Total Funds Held by Bond Trustee</u>	<u>\$14,897,072</u>	<u>\$14,844,707</u>
Agency Funds Restricted Under Chapter 6 - Collateralized (MMDT Account) Deposits	\$ -	\$ -
Other Investments:		
U.S. Treasury Notes	\$ <u>1,743,593</u>	\$ <u>1,743,593</u>
<u>Total Other Investments</u>	<u>\$ 1,743,593</u>	<u>\$ 1,743,593</u>

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

8. CASH AND OTHER INVESTMENTS (Continued)

Cash and cash equivalents available for use for operations of the authority are reported in the accompanying combined balance sheets as follows:

	<u>Carrying Amount</u>	<u>Bank Balance or Market Value</u>
Current Assets - Cash and Cash Equivalents	\$10,148,289	\$10,843,930
Funds Held by the Trustee:		
Garage Construction Account	1,282,764	1,277,467
Garage Renewal and Replacement Fund	512	511
Hynes Construction Account	31,315	31,366
Hynes Renewal and Replacement Account	<u>4,680,609</u>	<u>4,616,452</u>
	<u>\$16,143,489</u>	<u>\$16,769,726</u>

A significant portion of cash and short-term and other investments has been designated by management or is restricted for specified purposes as follows:

	<u>1998</u>	<u>1997</u>
Designated:		
Sec. 38D Reimbursement: State Retirement		
Board (Pension Benefit)	\$ 3,005,787	\$ 2,476,452
Severance Pay/Sick Leave		
Benefits/Vacation	1,424,965	1,305,577
Hynes Construction Litigation	200,000	200,000
Long-Range Marketing	-	-
Garage Net Proceeds Payable to the		
Commonwealth	4,191,654	2,975,983
Long-Range Planning	<u>2,100,000</u>	<u>500,000</u>
	10,922,406	7,458,012
Unrestricted Cash	<u>969,476</u>	<u>566,780</u>
	<u>\$11,891,882</u>	<u>\$ 8,024,792</u>

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

9. CONTINGENCIES

Two cases arising from the expansion and renovation of the Hynes Convention Center in the 1980's are still pending; in the opinion of the Authority and its outside legal counsel, the ultimate resolution of the litigation is uncertain. The first case involved an extra work order in the amount of \$1.8 million. The case was tried in November 1997 and the parties are awaiting the court's decision. The Authority has structured an agreement with the parties included in the final case which, in the opinion of the Authority and its outside legal counsel, will hold the Authority harmless from financial liability. Beginning in December 1994, this case was tried before a Master for 45 days. Proposed findings and conclusions were submitted to the Master in June 1995. On November 9, 1995 the Master's final report, recommending that all claims against the Authority be dismissed, was filed with the court. The report must be confirmed by the court before judgment becomes final.

One case is pending related to the Garage Reconstruction. A subcontractor is suing the general contractor (which in turn has sued the Authority) in the amount of approximately \$1.5 million for alleged damages due to delays and disruption to its work. The outcome of this suit is uncertain at this point.

Two cases are pending before the Massachusetts Commission Against Discrimination ("MCAD") arising out of incidents which are alleged to have occurred at the Hynes Convention Center in December 1996. The plaintiffs claim against the Authority, among other named entities, that they were discriminated against on the bases of race, sex, religion, and national origin when they attended an event held at the Hynes on December 22, 1996. The Authority has filed a written response and appeared before the MCAD's designee in June of 1997 to orally present its position. The MCAD has not contacted the Authority regarding these matters to the present date. In the opinion of the Authority and its outside legal counsel, the ultimate resolution of these claims is uncertain.

MASSACHUSETTS CONVENTION CENTER AUTHORITY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1998

10. NEW CONVENTION CENTER

Chapter 152 of the Acts of 1997 provides \$609.4 million for the construction of a Convention and Exhibition Center to provide 600,000 square feet of exhibit space at a site in South Boston. The MCCA is to operate the new center, along with the Hynes Convention Center (193,000 square feet of exhibit space), the Boston Common Garage (capacity 1,400 vehicles), and the Springfield Civic Center (139,000 square feet of total space).

The Boston Redevelopment Authority (BRA) is authorized and directed by the legislation to acquire the land, properties, and rights related to the proposed construction site. The MCCA will oversee construction and design of the new facility. At June 30, 1998, the BRA was still acquiring the properties.

11. ACQUISITION OF SPRINGFIELD CIVIC CENTER

Chapter 152 of the Acts of 1997 provided for the Authority to assume the ownership and operation of the Springfield Civic Center (SCC). Additionally, a total of \$48.5 million was appropriated for possible expansion and renovation of this facility. To date, the Authority has merged the activities of the SCC with its own activities, repaid the City of Springfield approximately \$100,000 which constitutes the unused portion of funds advanced by the City as of November 17, 1997 to fund the SCC deficit, transferred all employees to the Authority's payroll, and begun assessing the renovations necessary for the SCC to be competitive. The transfer of ownership and operation was effective November 17, 1997.

Certain aspects of the transfer of ownership and operation of the Springfield Civic Center (SCC) remain to be resolved.

- The City of Springfield did not carry the cost of the SCC property on its financial statements. The assets related to the facility itself are not currently reflected on the Authority's financial statements pending resolution of this matter.
- Although the Authority repaid approximately \$100,000 of the City of Springfield's advance to the SCC, certain other items remain to be resolved, which could adjust this payment. It is not anticipated that the effect of the resolution of these matters will be material to the financial statements of the Authority.

